

10 April 1980

NOTE FOR VINCE:

1. I believe the attached is meant to be the Compt. response to Rec. A-1 (also attached), as well as S&T's. It has been coordinated with DDA and they have no problems with it. I think it accomplishes designating the Dep. Compt. as the responsible official and sets up the mechanism (monthly Comptroller meetings) to provide timely notice of S&T contract overruns which DDCI apparently said was his main concern.
2. It does not address other Directorate overruns, but I believe S&T is where the problem is. It also does not specify frequency of reports/recommendations to the DDCI/DCI.
3. The DDCI could inform S&T and the Comptroller that the procedures outlined will satisfy his concerns as long as the Comptroller understands that he is to maintain such awareness for all contractual activity, and provides periodic reports and recommendations to the DDCI/DCI when he deems it appropriate.
4. Please have  inform me of the outcome for tracking purposes.

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Executive Registry

80-C18/2

DD/A Registry

80-0514/1

SECRET

19 FEB 1980

MEMORANDUM FOR: Deputy Director for Administration  
FROM : Deputy Director of Central Intelligence  
SUBJECT : Inspector-General Report on Industrial Contracting and Security  
REFERENCE : DCI Memorandum to the DDCI dated 4 January 1980, same subject.

1. Except as noted, the recommendations contained in the Industrial Contracting and Security report are approved. The Director has also levied additional requirements in the referenced memorandum. Take action as indicated below.

2. With respect to Recommendation:

a. A-1: That the Director of Central Intelligence consider designating and authorizing an appropriate official to have access to data on all contractual activity conducted anywhere in the Central Intelligence Agency, and task that official to monitor that data for such purposes as the Director may specify.  
*and b*  
Action: Recommendation approved. The Comptroller is directed to oversee this function, with the Deputy Comptroller designated as the official to maintain comprehensive awareness of all contractual activity and to make such reports and recommendations to the Director as in his judgment are warranted with respect to contracting activity viewed as a totality. The Deputy Comptroller will provide me a paper within thirty days outlining the means by which this function will be carried out and recommending the format and frequency of periodic update reports and recommendations to the Director.

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## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

IG Report on Industrial Contracting and Security

FROM:		EXTENSION:	NO.
DDSGT 6E60 Headquarters			DDSGT 1103-80
TO: (Officer designation, room number, and building)		DATE	DATE
		RECEIVED	FORWARDED
1. Comptroller		4 Apr	m/
2. DDCI			
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COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)			

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**SECRET**Y0-0390  
DDS&T 1103-80

4 APR 1980

Executive Registry
80-01818

MEMORANDUM FOR: Deputy Director of Central Intelligence

THROUGH: Comptroller

FROM: Leslie C. Dirks  
Deputy Director for Science and Technology

SUBJECT: Inspector General Report on Industrial Contracting and Security

REFERENCE: DDCI memorandum to DDA dated 19 Feb 80,  
same subject (ER 80-018/2)

1. This paper is in response to the action item concerning Recommendation A-1 of subject report levied during our meeting of 6 March. You asked at that time that we interpret the directive as expressing a concern toward an increased consciousness of overrun situations on our industrial contracts. Specifically, you appeared concerned that the Comptroller be provided an early warning mechanism for overruns on Agency-funded contract activities, irrespective of where the performance is occurring.

2. By way of background, all CIAP industrial contracts have notification clauses and monthly financial cost data requirements; specifically, the contractor must provide monthly costs expended, percentage of completion, percentage of total costs authorized, and projection of estimated contract end-cost. Additionally, all of the cost reimbursement R&D contracts contain either a "Limitation of Cost" or a "Limitation of Funds" provision which requires the contractor to notify the Contracting Officer, in writing, when ". . . the contractor has reason to believe that the cost which he expects to incur in the performance of this contract in the next succeeding sixty (60) days, when added to all costs previously incurred, will exceed seventy-five percent (75%) of the estimated cost set forth in the Schedule, or if, at any time, the contractor has reason to believe that the total cost to the Government will be greater or substantially less than the then estimated cost hereof . . ." These conditions are the formal and legal way by which DDS&T

DERIVATIVE/COLD/ [redacted]  
DDCILX/REV/ON Apr 2000  
DERIVED/FROM/ IG Rpt dtd  
Nov 1979

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SUBJECT: Inspector General Report on Industrial Contracting and Security

gets notice or "early warning" of a potential cost growth in a contract endeavor. If, as a result of these provisions, we find that we have a problem, we must seek the approval of the Office of the Comptroller to solve that problem if the resulting reprogramming of funds exceeds \$100,000.

3. In order to assure that this "early warning" is equally available to the Comptroller and his staff, we will henceforth include in our information supplied to the Comptroller for his monthly meetings the essential information from all notifications received under the contract provisions noted in paragraph 2 above. Further, if the Comptroller requests, we will supply copies of the actual contractor's report.

4. We firmly believe that the "comprehensive awareness of all contractual activity" referred to in the referenced directive can be imparted to your designated official, the Deputy Comptroller, and to the DDS&T Group Chief in the Comptroller's Office, under the procedures outlined above.



Leslie C. Dirks

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CONCUR:

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Comptroller

4 April 80

Date